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THE FINANCIAL SITUATION.

After a sharp break at the opening of last week the stock market recovered and held thereafter with a fair degree of steadiness. It was, however, more or less nervous and irregular through the week, and reviewing its course of over a week past it must be said that although in this period it has only for a few times been really weak and oftentimes exceedingly strong its general undertone has been perceptibly less sturdy than it was previously. It is also clear that the chief cause of this, at least latterly, has not been that apprehension over the money situation which has all along been the ordinary explanation given by Wall Street for the hesitation shown in the movement of prices since October 1. The money situation, indeed, seems to stand in a more settled position than it did a month ago. Fear of anything resembling a pinch in money through the remainder of the year, save the customary brief rise in rates expected around January 1, has practically passed out of financial reckoning. The Bank of England last week exhibited what was substantially a high record breaking proportion of reserve held against liabilities, and it is apparent that only a natural desire to keep itself strong through the coming English election period prevents the Bank of England from reducing its minimum discount rate to a much lower level than that at which it now stands. Here money is returning from the interior of the country, as is openly shown in the premiums obtaining on New York exchange in interior cities, and were it not for the heavy exports of gold which our bankers are constantly making to South America bank reserves here, with the quieting down of stock market speculation which has taken place, would presumably enlarge in no small degree. While therefore current rates for the use of money may prevail for some time, and may if business over the country continues active be quoted not far from their present figures for several months to come, the financial situation proper, so far from being in any way alarming, is in every way reassuring.

Moreover, the stock market has received definite encouragement, or what would ordinarily be considered such, from the announcement of the consummation of various "deals" of one sort or another recently. The enterprising Mr. Hawley has been responsible for a large number of these, and there seems to be no end to the number of railroad properties and street railway lines that he has acquired or is credited with acquiring, even if for many of the stocks he is supposed to control he has as yet succeeded in making only a poor market. The Rock Island people have relieved themselves of the heavy burden which they have carried so long in the shape of the St. Louis and San Francisco Railroad property, and the matter can be considered in no other way than as helpful to the Rock Island, even if it means for the company the closing out of what was for it from beginning to end a pretty sorry bargain. The Washburn and Lehigh Valley roads have cut a prominent figure in stories of merger plans and the like which, although roundly exaggerated no doubt, still probably have a measure of truth in them. Nevertheless the stock market considered as a whole does not gain much, comparing one week's results with another, and seems if anything to be sagging. On August 14 the average price of the leading railroad shares was \$134.46 a share. Last Saturday at the end of a striking two days rally the price was \$126.78 a share. A somewhat better showing is made by the industrials, but in these stocks also a sustained forward movement has ceased and most of them are now quoted considerably lower than they were in the first week of October. Some attention may perhaps profitably be paid to the causes that have brought this state of affairs about.

It is evident, to begin with, that what is called "financial sentiment" in Wall Street has been more or less cast down by the cool reception given by investors to the recent large stock issues of such great railway companies as the Pennsylvania, New York Central and Northwestern. The companies named have alone issued or have authorized of new stock, at least about \$10,000,000 of new stock, and although these issues have been or will be attended with large subscription rights offered to stockholders the announcement has in each instance caused a considerable decline in the stock already of record. The Hill stocks have been slowly but steadily pressed for sale for a long time. The bond market is commonly spoken of in bond houses as being flat, and the decline in these various securities has affected all issues of similar rank and has given to the investment market as a whole an appearance that has led to what is perhaps an erroneous conclusion on the part of many financial observers that the public do not seem to find the present level of prices attractive. The current speculative explanation for the fall is that the large new stock issues referred to set further off the day when increased dividend distributions can be expected, and the animadversion, or what is such from a speculative point of view, passed upon the market in its entirety is that practically all stocks now in the dividend paying class have come to sell upon a 5 per cent. basis, or fully up to the present and prospective rate for the use of money. It may be admitted that many railroad companies would have preferred if the choice had been offered to raise the money required by them this year by the sale of bonds bearing a low rate of interest rather than by the issue of new stock bearing a much higher rate. But the truth is that the present railway bond market is to all practical intents and purposes closed. The market is already so full of bonds previously issued that new bonds cannot be sold except as bearing an interest rate that would be generally considered as too high.

In general, too, the leading railway stocks have suffered from an intimation of which frequent mention has been made in this column, the recent increased expense of railway operation and the inability of the railroad companies to obtain from those who pay freight and passenger charges a sufficiently high price for the service to offset such increased expense. Early in the year the railroads were still skimping their operating expenses in every possible particular, and a highly gratifying showing of net earnings was generally made by the leading ones at the end of each month. Latterly these exhibits have not been quite as pleasing, and upon this particular point the present switchmen's strike in the Northwestern States is full of important meaning. The strike here if it was of the usual isolated sort would amount to but little as a stock market factor. It may or may not be successful. But it is only the first in a general demand for higher wages which it is known is to be made by railway employees all over the country; and formal intimations by the labor union already laid upon the desk of the president of one railroad com-

pany entering this city aggregate an increased expenditure of over \$6,000,000 a year. Whether or not in view of the higher cost of living some readjustment of railway pay schedules should not be made in particular cases is a question possibly open to debate; but any such widespread advance as is now talked of most intently and justly by the railroad companies to the utmost, inasmuch as the existing rates of compensation still remain and were sustained by the railroad companies through the panic at the not much level fixed in the boom months of 1906 and 1907.

Two other important matters are also playing a not overagreeable part in our present stock market and have done so for some weeks past. One of these is the fear over the policy likely to be pursued this winter by the present national administration and by the dominant party in Congress in affairs relating to corporate interests. As, if enacted, had been done in regulating and restraining corporations, particularly the railroads, an attempt is to be made, as seems, to widely enlarge the powers of this sort already granted to numerous Government authorities. Railway stock issues hereafter must pass through the sieve of Government inspection; power to make railway rates must be granted to the Interstate Commerce Commission; railway companies are only to extend their lines in certain ways, and in general the scope of railway profits and what has hitherto been considered the just freedom of railway operation is to be abridged as severely limited by the general Government as it has been attempted to be limited by the most radical of State railway commissions. In addition the existing anti-trust laws are to be "strengthened," if the Supreme Court of the United States holds in the American Tobacco and Standard Oil cases that they are not strong enough already. Toward the end of last week the stock market advanced upon buying based upon what seems to be a current expectation that the President of the United States will not dwell upon these matters in his annual message to be sent to Congress to-morrow but will take them up in a special message later on. It is considered possible also that the Supreme Court will defer the argument in the American Tobacco case set for the 13th inst. until it can be heard by a full bench, presumably next February. An "argument" of this sort may appeal to habitual speculators, but it is likely to be thought by conservative people that no such postponements change the fundamental position at all and if anything intensify uncertainty as to the future.

Secondly, the notion is beginning to gain ground among those who think a little that the prosperity of the country does not mean after all a prosperity confined to farmers, and especially to the farmers of middle and Western States. A price of 15 cents a pound for cotton may spell joy to the planters of the South, but if this price is so high above the price at which manufactured cotton can be sold that a margin of profit no longer remains to the cotton manufacturer it spells joy neither to those manufacturing interests nor to the vast number of laboring men and women depending upon them. So too general range of commodities prices high above the average of the past year, wealth to those engaged in producing these commodities, but may mean impoverishment to those who are compelled to buy the commodities, and it may not be a very good thing in the long run for a country in which such a disparity exists. It cannot be said that such disparity in our own land has yet become a highly serious problem, and indeed the consensus seems to be that up to the present time the great comparative increase in the recent years has been in the country more good than harm. Nevertheless a feeling of dismay and resentment has already begun to make itself felt in the security market, and must eventually, if matters develop along the lines that they have been doing, become a matter of urgent protest on the part of the working and consuming population in the manufacturing centers, that the whole course of the Government policy of the nation as regards a restriction of corporate industry seems to be controlled just now by orators and demagogues who have solely in mind the sectional interests of the particular part of the country engaged in agricultural production, and interests, too, that so far from being scorned by fortune are those into whose lap wealth drawn from the pocketbooks of the East has poured in the last few years in an immense and unbounded way.

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